

BROOKINGS
municipal utilities

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JUN 23 1997

Federal Communications Commission
Office of Secretary

June 20, 1997

William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

Re: **Brookings Municipal Utilities**
Comments to Public Notice DA 97-679, WT Docket 97-82
Broadband PCS C Block Installment Payment Issues

Dear Mr. Caton:

Brookings Municipal Utilities wishes to submit its comments on the C Block PCS rule changes proposed in the FCC's June 3, 1997, Public Notice. Brookings was the winning bidder for C Block licenses in the Sioux Falls and Watertown, South Dakota BTAs. We strongly favor a number of the suggestions discussed in the Public Notice, as a way to prevent C Block licensees from defaulting, thereby creating a "no-win" situation for the licensees, the United States Government, the taxpayers and rural communities.

The C Block has been plagued by an unforeseeable drop in the value of spectrum, and the resulting lack of capital availability for license payments and buildout. If this situation continues, many, if not most licensees will go bankrupt. This is completely at odds with Congress' intent to help small businesses and rural telephone companies participate in new technologies like PCS. The Government and U.S. taxpayers will lose a great deal of revenue if these licensees fail, since bankrupt companies generally will be able to pay little or nothing on their bid obligations. But most importantly, rural communities will suffer. Cellular carriers and PCS licensees holding A and B Block channels have been able to meet their buildout requirements by focusing on the larger cities and towns, and surrounding suburbs, in their service areas. Rural

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communities are the lowest priority for buildout, and many still receive no service. In contrast, many BTAs do not contain a large population center, and C Block licensees are therefore required to focus on building out to rural communities much sooner. Also, a number of C Block licensees (including Brookings) are rural telephone companies, that have successfully bid on those smaller BTAs which include their rural telephone service areas. Therefore, the C Block represents the best hope to implement service to rural America in the near future.

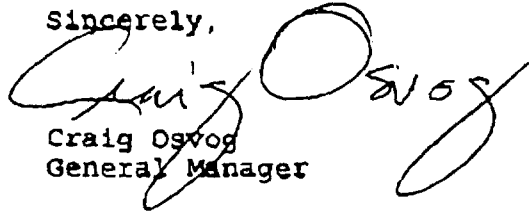
Brookings has reviewed the various proposals discussed in the Commission's June 2 Public Notice, and believes that many of these suggestions have merit. Therefore, we favor making the following options available to C Block licensees: Annual (versus quarterly) bid payments; deferring interest and capital payments consistent with the MCI proposal; and discounting the bid prices to be on par with the A and B Block prices, in exchange for an early lump sum payment. Since each C Block licensee faces its own set of unique circumstances (based on its financial stability, the availability of capital, the demographics and terrain of its service area, and the level of competition from other wireless providers), this broad "menu" of options would allow each licensee to choose the remedy which best ensures its continuing financial stability.

Brookings further believes that the FCC should take this opportunity to consider one additional option, aimed at relieving the financial distress of C Block licensees serving the more rural BTAs. In particular, the Commission should relax the buildout requirements for BTAs with a low population density. For these areas, it would be more appropriate to require signal coverage to one-fourth of the population within five years, and one-half of the population within ten years. In the alternative, the Commission could give C Block licensees a "substantial service" option similar to the one given to the DEF Block licensees, with the understanding that "substantial service" in rural BTAs constitutes providing service to those areas where it is cost effective to do so. Brookings would propose that "rural BTAs" be defined as those BTAs which do not include any city or town with a population of more than 50,000 people.

Brookings is in the process of building out coverage to the Watertown, South Dakota BTA. Virtually the entire BTA would be classified as "rural" in nature. Because of the rugged terrain and widely scattered population outside of the corporate limits of Watertown itself, Brookings faces a difficult task in implementing service to the rest of the BTA. If the current difficulties faced by C Block licensees in obtaining capital are not remedied quickly, this buildout will become even more difficult. Relaxing the buildout

requirement for these rural BTAs could have the same effect as the other remedies discussed above, in relieving the financial burden on C Block licensees who are authorized to serve rural areas. In the alternative, the FCC should indicate its willingness to apply a liberal waiver standard to the coverage requirements for these regions.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Osvo", is written over the typed name and title.

Craig Osvo
General Manager